



**Executive Board of the  
United Nations Development  
Programme, the United Nations  
Population Fund and the United  
Nations Office for Project Services**

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**Internal audit and investigation**

**UNDP: Annual report of the Office of Audit and  
Investigations on internal audit and investigation activities  
in 2022**

*Summary*

This report provides information on the activities of the Office of Audit and Investigations for the year ended 31 December 2022 and a summary of investigation activities conducted during the year. It includes an opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the entity's framework of governance, risk management and control; a concise summary of work and the criteria that support the opinion; a statement of conformance with the internal audit standards being adhered to; and a view on whether resourcing is appropriate, sufficient and effectively deployed to achieve the desired internal audit and investigation coverage.

The office issued 106 audit reports and two advisory services notes. The 106 reports raised 213 recommendations, of which 139 were rated as "medium" priority and 74 as "high" priority. Of the 106 audit reports, 46 (40 project financial audits, a follow-up audit and five consolidated reports) did not contain an overall rating. Of the remaining 60 reports, 23 (38 per cent) had a "fully satisfactory" rating; 20 (33 per cent) received a rating of "satisfactory/some improvement needed"; 16 (27 per cent) had a "partially satisfactory/major improvement needed" rating; and one report (2 per cent) was rated "unsatisfactory".

Programme/project management continued to have the highest number of audit observations, including issues in project design, monitoring, reporting and project risk management. Other areas with high numbers of recommendations were financial resources management and procurement management.

On the investigation side, the office finalized and closed a total of 377 cases, the highest number ever in a year to date. At the end of 2022, 253 cases were carried over to 2023. The office closed 176 cases following an investigation. The allegations in 114 (64.8 per cent) of these cases were found to be unsubstantiated. Of the remaining 62 cases, 61 (34.7 per cent) resulted in investigation reports (61 reports) establishing evidence of misconduct and one was finalized through an options letter.

In line with Executive Board decision 2022/15, paragraph 10, and in accordance with the Institute of Internal Auditors, an independent external quality assessment of the Office of Audit and Investigations was undertaken between September and December 2022. The Institute of Internal Auditors issued a "generally conforms" opinion on the office. This is the highest rank of a three-tier ranking system.



The report provides an overview of the status of implementation of internal audit recommendations. It also includes the titles of all internal audit reports issued during 2022 and ratings received (decision 2013/24), and cases of fraud and actions taken in cases of misconduct (decision 2011/22).

The management response to this report is presented separately, as requested in decision 2006/13. The annual report of the independent Audit and Evaluation Advisory Committee, prepared in accordance with the guidelines contained in the UNDP accountability framework (DP/2008/16), is appended.

#### *Elements of a decision*

The Executive Board may wish to: (a) take note of the present report, which has been harmonized with those of other United Nations agencies<sup>1</sup> in line with Executive Board decision 2020/10; (b) express its continuing support for the internal audit and investigation functions of UNDP; and (c) take note of the annual report of the Audit and Evaluation Advisory Committee, which should be reviewed as a separate document within the framework of this report.

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#### **Appendix** (available on the Executive Board website)

Annual report of the Audit and Evaluation Advisory Committee for 2022

<sup>1</sup> United Nations Population Fund, United Nations Children’s Fund, United Nations Office for Project Services and United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women).

## I. Introduction

1. This report provides the Executive Board with a summary of the internal audit, advisory services and investigation activities conducted in 2022 by the Office of Audit and Investigations (the office). It provides an overall opinion on the adequacy and effectiveness of the UNDP governance, risk management and control processes.
2. The criteria to form this opinion include the results of internal audits in 2022; audits of projects directly implemented by UNDP; the review of audit reports of UNDP projects executed by non-governmental organizations (NGOs) and/or national Governments; the implementation rate of audit recommendations from this and prior years, including long-outstanding recommendations; and management letters relating to investigations. The qualitative nature of the audits, advisory services and investigations results were given due consideration in the overall opinion.

## II. Mandate

3. The office aims to provide UNDP with a system of independent and objective internal oversight to improve the effectiveness and efficiency of its operations in achieving its development goals and objectives. The purpose, authority and responsibility of the office are defined in the charter approved by the Administrator of UNDP (see annex VII).
4. The international professional practices framework of the Institute of Internal Auditors stipulates that the chief audit executive must report to a level within the organization that allows the internal audit activity to fulfil its responsibilities. The office's Director is accountable to the Administrator of UNDP for the provision of internal audit and investigations services. The Director is required to conduct internal audits and investigations independently, without interference from UNDP senior management or any outside party. The office must confirm to the Executive Board, at least annually, the organizational independence of the internal audit activity.
5. The office confirms its organizational independence. In 2022, the office was free from interference in determining its audit and investigation scope, planning, performing its work and communicating its results.
6. All audit staff completed the Statement of Integrity, Objectivity and Confidentiality for 2022, certifying their adherence to the code of ethics and core principles of the Institute of Internal Auditors and to the UNDP code of ethics.
7. The office has an effective quality assurance and improvement programme that covers both internal audit and investigation functions. Post-audit client surveys conducted in 2022 showed that clients were satisfied with the conduct of audits. Out of the 91 respondents, 72 (79 per cent) gave overall satisfaction ratings of "excellent" and "good".
8. The office continued to receive good support from UNDP senior management. The Director participated as an observer in the meetings of the Organizational Performance Group with the heads of the other oversight offices, which enabled discussions on long-outstanding recommendations and other significant matters with potential risk to UNDP. The office held monthly meetings with the Associate Administrator to share audit and investigations results. It also held meetings with the Bureau for Management Services and regional bureaux to discuss key and recurring audit and investigation issues.
9. The Audit and Evaluation Advisory Committee, an independent oversight body of UNDP, provided advice to the Administrator on maximizing the effectiveness of UNDP internal audit and investigation functions.
10. Due to continuing travel restrictions resulting from the coronavirus disease (COVID-19) pandemic, the office implemented its workplan remotely during the first quarter of 2022.
11. At the second regular session 2022, the office submitted a [report](#) to the Board in response to decision 2022/15 to assess the degree to which the office could freely determine: (a) how and when to report to and brief the Executive Board; (b) the scope of audits and investigations; (c) what and who to audit or

investigate; (d) what assessments to make; (e) how to utilize available funds; (f) its relationship with the United Nations Office of Internal Oversight Services; and (g) pathways on how to further strengthen the independence of the office as well as its budget estimates required for the execution of the full mandate. The report included key recommendations.

### **III. Opinion**

12. The office is responsible for independently assessing the adequacy and effectiveness of UNDP systems and processes based on a risk-assessment methodology and risk-based annual workplan. It covers business units, functions and activities at headquarters, regional and country levels, as well as directly-implemented projects, nationally-implemented projects and grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria. The basis of the opinion is detailed in annex VI.

#### **Basis of opinion**

13. As detailed in annex VI, the opinion is based on the following:
- (a) Results of audits undertaken in 2022 in accordance with the approved annual workplan. These include audits of UNDP headquarters and regional functions or units, country offices, UNDP activities funded by the Global Fund, projects directly implemented by UNDP and advisory services;
  - (b) Results of the review of audit reports of UNDP projects executed by NGOs and/or national Governments;
  - (c) The implementation rate for internal audit recommendations, including long-outstanding recommendations;
  - (d) Management letters relating to investigations.

#### **Exclusions**

14. The opinion does not cover audit services provided by the office to other United Nations entities such as the United Nations Volunteers programme (UNV), United Nations Office for South-South Cooperation and United Nations Capital Development Fund (UNCDF). These entities are audited separately by the office.

#### **Scope limitations**

15. The office identified certain scope limitations regarding audits conducted remotely in the first quarter of 2022 due to the COVID-19 travel restrictions. These included:
- (a) A review of original supporting documentation could not be carried out, requiring the audit teams to depend on scanned copies;
  - (b) Meetings with office staff and personnel of the audited entity were carried out virtually, which limited the understanding of the office's working environment;
  - (c) Project site visits, including in-person meetings with counterparts/local beneficiaries, were not conducted.

16. For further details regarding the criteria for the office's overall opinion, see annex VI.

#### **Overall opinion**

17. Based on the scope of work undertaken in 2022, in the office's opinion, the adequacy and effectiveness of the governance, risk management and control in the reports issued in 2022 were, in aggregate, satisfactory/some improvement needed. This means that they were generally established and functioning but needed some improvement. Issues identified do not significantly affect the achievement of the objectives of the organization.

#### IV. Statement of conformance to internal audit standards

18. The office conducts its internal audit work in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. These were adopted for use by the representatives of the internal audit services of the United Nations system organizations in June 2002.

19. The office maintains an internal quality assurance and improvement programme. This includes engagement-level quality assurance, ongoing self-assessments (including an annual internal quality assessment and client feedback) and an external quality assessment of the internal audit function every five years.

20. The most recent assessment was completed in December 2022, and the office received the top rating of “general conformance” with the International Standards for the Professional Practice of Internal Auditing and with the code of ethics of the Institute of Internal Auditors. The review confirmed the office’s independence. The full report is contained in annex VIII.

#### V. Budget and staffing

##### *Budget*

21. In 2022, the office had an approved budget of \$22.98 million funded from institutional budget resources (see table 1). This excludes the office’s portion of annual rent, which is \$1 million.

22. The office received an additional \$1.23 million for the audit and investigation of UNDP activities funded by Global Fund grants. This allocation covered staff and operating costs for three audit specialist positions and one investigation adviser, based in Dakar, Istanbul, Pretoria and New York, respectively.

23. In 2022, the office’s expenditures (excluding Global Fund) reached \$19.89 million, leaving an unspent balance of \$3.09 million. The unspent balance resulted from savings of \$2.32 million from the staff budget (due to vacant posts) and of \$0.77 million, due mostly reduced travel expenditure in the beginning of the year because of COVID-19 travel restrictions.

**Table 1. Resources in 2022, excluding Global Fund**

Category	Budget (millions of United States dollars)	Expenditures (millions of United States dollars)
Audit	10.21	8.91
Investigations	9.93	8.46
Management and support	1.55	1.41
Quality assurance	1.15	1.05
Audit and Evaluation Advisory Committee	0.14	0.06
<b>Total</b>	<b>22.98</b>	<b>19.89</b>

*Staffing*

24. As of 31 December 2022, the office had 95 approved posts.

*Recruitment process*

25. Of those 95 posts, 89 were encumbered and six were vacant at the end of 2022. The recruitments of four of the six posts were completed by 31 December 2022 and the incumbents were scheduled to join the office in the first quarter of 2023. In 2022, the average vacancy rate was 6 per cent (against a target of 7 per cent) and the average time that staff positions remained vacant was 4.7 months (against a target of 6 months).

26. The office conducted a total of 20 recruitment processes, including four lateral-move processes during 2022. Of the 20 posts, 19 were at the International Professional level and one was at the General Service level. The office recruited seven new staff and promoted nine staff to higher-level positions. Among the seven new staff, four were male and three were female. Of the staff promoted, six were female and three were male. Of four staff with lateral moves, two were male and two were female (see table 2).

**Table 2. Staff recruited in 2022, by gender**

Gender	New recruit	Promotion	Lateral move	Total	Per cent
Male	4	3	2	9	45%
Female	3	6	2	11	55%
<b>Total</b>	<b>7</b>	<b>9</b>	<b>4</b>	<b>20</b>	<b>100%</b>

## VI. Implementation of the 2022 risk-based audit plan

### **Risk-based audit planning and completion of the annual workplan**

27. The office formulated the 2022 audit plan after conducting a comprehensive risk assessment of its auditable areas in UNDP, including UNV, the United Nations Office for South-South Cooperation and UNCDF. The planning process was participatory, involving a series of discussions with senior management and heads of concerned bureaux. The office consulted the United Nations Board of Auditors to ensure adequate audit coverage of UNDP and to minimize duplication of efforts in providing assurance to the Administrator and the Executive Board.

28. The risk-assessment methodology covered the process from risk identification to risk measurement and risk ranking. Both quantitative and qualitative risk indicators were used – classified as strategic, organizational, political, operational and financial – in line with the UNDP enterprise risk management categories of risks.

29. The approved annual workplan for 2022 initially included 93 audit assignments. It was later adjusted to 112 assignments, due to significant additions to the number of audits of directly-implemented projects. As of 31 December 2022, the office had completed fieldwork for all 112 planned assignments (see table 3) and issued 108 reports (see table 4).

**Table 3. Implementation of the 2022 annual workplan**

Audit type	Approved annual workplan	Revised annual workplan <sup>b</sup>	Implementation of revised annual workplan
Advisory services	2	2	2
Country office	28	27	27
Directly implemented projects	41	58	58
Global Fund	9	9	9
Headquarters	8	10	10
Regional thematic audits	5	6	6
<b>Total</b>	<b>93</b>	<b>112</b>	<b>112<sup>a</sup></b>
<b>Per cent</b>			<b>120.4%</b>

<sup>a</sup> As of 31 December 2022, the fieldwork of all the 112 planned assignments were completed. Of the 112 assignments, reports of 93 were issued in 2022 (see table 4 below), and the remaining 19 reports were in the process of issuance.

<sup>b</sup> In addition to the 112 planned engagements, the office received write-off requests from several business units. In 2022, the office processed 19 write-off requests (see annex VI). These were not included in the annual workplan due to their ad hoc nature.

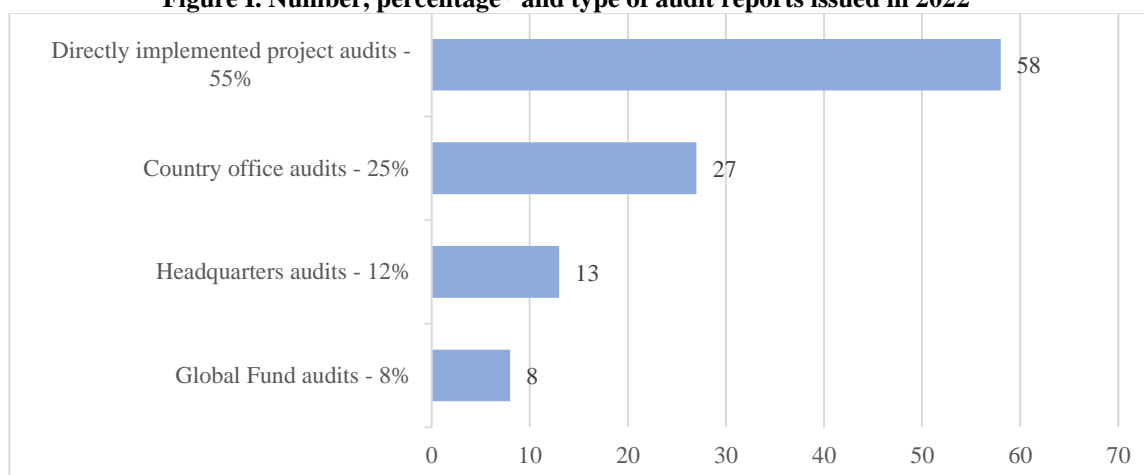
30. In 2022, the office issued 106 audit reports and two advisory services notes. The 106 reports raised 213 recommendations, of which 139 were rated as medium priority and 74 as high priority.

31. The reports issued in 2022 included audits conducted in 2021 and reported in 2022 as shown in table 4. The 106 audit reports consisted of 13 headquarters audits, including one follow-up report and two consolidated reports on NGO-/nationally-implemented project audits (12 per cent); 27 country office audit reports (25 per cent); eight Global Fund audits (including two consolidated reports) (8 per cent); 58 audits of directly-implemented projects, including two directly-implemented project audits of UNCDF projects and two annual consolidated reports (55 per cent) (see figure I). The two advisory services covered the area of information technology. In accordance with decision 2013/24, annex I presents the titles and ratings of all internal audit reports and advisory services issued in 2022. It also includes 19 write-off requests processed during 2022.

**Table 4. Number of reports issued in 2022**

Audit type	Carry over reports from 2021	Reports related to 2022 workplan	Total reports issued in 2022
Advisory services	0	2	2
Country office audits	8	19	27
Directly implemented projects audits	0	58	58
Global Fund audits	4	4	8
Headquarters	3	10	13
Regional thematic audits	0	0	0
<b>Total</b>	<b>15</b>	<b>93</b>	<b>108*</b>

\* This is comprised of 106 audit reports and two advisory services notes.

**Figure I. Number, percentage\* and type of audit reports issued in 2022**

\* The ratio (converted into a percentage) between the number of reports by audit type and the total reports issued.

32. In 2022, the office met the key performance indicator on the number of days to issue audit reports from the end of fieldwork, achieving an average of 59 days per report against the target of 90 days, for headquarters, country office, Global Fund and directly-implemented audits (see table 5). Complete information regarding the office's key performance indicators is outlined in annex V.

**Table 5. 2022 Key performance indicator:  
Average number of days to issue reports**

Audit type	Target 2022	Number of days*
Headquarters audits	90	62
Country office audits	90	72
Global Fund audits	90	68
Directly implemented projects audits	90	49

\* Number of days from end of fieldwork to issuance of the report per audit type.

33. The combined expenditure for 89 country-level audits (country office audits, directly-implemented project audits and Global Fund audits, excluding two UNCDF project audits and two Global Fund consolidated reports) was \$1.9 billion (40 per cent) of the \$4.8 billion in UNDP field-level expenditures in 2022. An additional \$0.6 billion in expenditure coverage was obtained by third-party audits of NGOs and nationally-implemented projects.

34. During 2022, the Audit and Evaluation Advisory Committee reviewed the implementation of the annual workplan.

35. The office also communicated its annual workplan to, and met with, the United Nations Board of Auditors to promote coordination and efficiency.

### **Audit reports and ratings**

36. For country office, Global Fund and headquarters audits, the office assigns an audit rating of fully satisfactory, satisfactory/some improvement needed, partially satisfactory/major improvement needed and unsatisfactory, based on its assessment of the relevant governance, risk management and control



processes. Ratings are not assigned to follow-up audits, financial audits of directly-implemented projects<sup>2</sup> and consolidated audit reports.

37. Of the 106 audit reports, 46 (40 project financial audits, a follow-up audit and five consolidated reports) did not contain an overall rating. Of the remaining 60 reports, 23 (38 per cent) had a fully satisfactory rating; 20 (33 per cent) had a satisfactory/some improvement needed rating; 16 (27 per cent) had a partially satisfactory/major improvement needed rating; and one report (2 per cent) had an unsatisfactory rating (see table 6).

**Table 6. Distribution of audit ratings by audit area and region 2022**

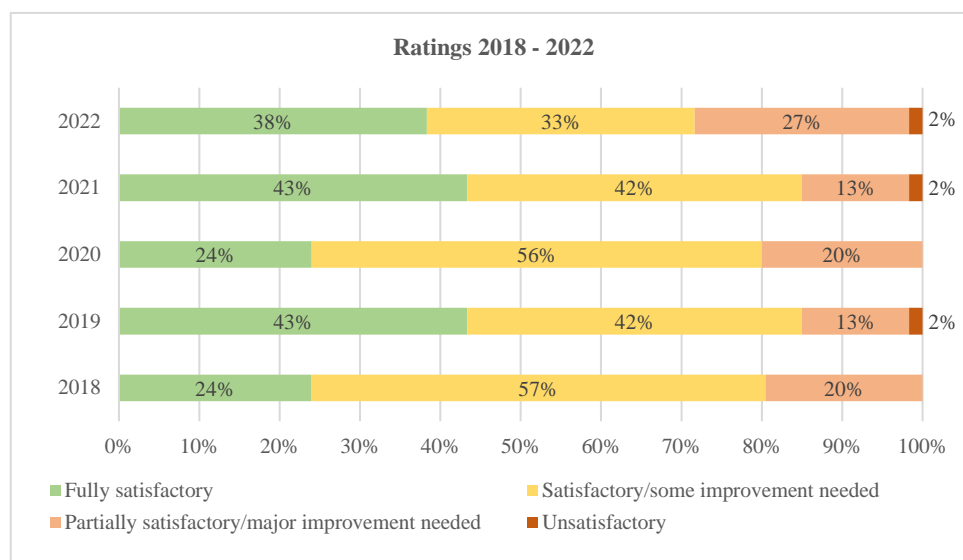
Audited area	Number of audits	Fully satisfactory	Satisfactory/some improvement needed	Partially satisfactory/major improvement needed	Unsatisfactory
<b>Country office audits</b>	<b>27</b>	<b>3</b>	<b>11</b>	<b>12</b>	<b>1</b>
Regional Bureau for Africa	10	-	4	5	1
Regional Bureau for Asia and the Pacific	4	-	3	1	-
Regional Bureau for Latin America and the Caribbean	6	2	2	2	-
Regional Bureau for Europe and the Commonwealth of Independent States	3	1	2	-	-
Regional Bureau for Arab States	4	-	-	4	-
<b>Global Fund audits</b>	<b>6</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>-</b>
Regional Bureau for Africa	1	-	-	1	-
Regional Bureau for Asia and the Pacific	1	-	1	-	-
Regional Bureau for Latin America and the Caribbean	2	1	1	-	-
Regional Bureau for Europe and the Commonwealth of Independent States	1	-	1	-	-
Regional Bureau for Arab States	1	-	-	1	-
<b>Headquarters audits</b>	<b>10</b>	<b>5</b>	<b>4</b>	<b>1</b>	<b>-</b>
<b>Directly-implemented project audits*</b>	<b>17</b>	<b>14</b>	<b>2</b>	<b>1</b>	<b>-</b>
Regional Bureau for Africa	2	-	2	-	-
Regional Bureau for Asia and the Pacific	-	-	-	-	-
Regional Bureau for Latin America and the Caribbean	1	1	-	-	-
Regional Bureau for Europe and the Commonwealth of Independent States	4	3	-	1	-
Regional Bureau for Arab States	10	10	-	-	-
<b>Total</b>	<b>60</b>	<b>23</b>	<b>20</b>	<b>16</b>	<b>1</b>

\* These are financial and control audits conducted on behalf of the office by an external audit firm. These included the review of relevant systems, procedures and practices in place related to the project in terms of governance, programme and operations.

<sup>2</sup> Ratings can be given only to financial audits covering the review of governance, risk management and controls. These ratings are provided by audit firms conducting the audit.

38. Comparing the distribution of audit ratings in 2022 with that of 2021 shows a decrease in ratings of fully satisfactory and satisfactory/some improvement needed. It also shows a significant increase in ratings of partially satisfactory/major improvement needed and the same percentage of unsatisfactory ratings. The comparative ratings since 2018 are shown in figure II.

**Figure II. Overview of internal audit ratings, 2018–2022**



## VII. Implementation of audit recommendations

### Implementation rate

39. The implementation rate of internal audit recommendations was 85.1 per cent as of 31 December 2022. The rate covered all reports issued by the office from 1 January 2020 to 30 November 2022. The aging status of recommendations as of 31 December 2022 is shown in table 7.

40. There were six long-outstanding audit recommendations that had not been fully implemented for 18 months or more as of 31 December 2022 (see details in annex II); a similar number was noted as of 31 December 2021. Of the six recommendations, two were ranked high priority, one of which pertained to the Global Fund audit of UNDP South Sudan and the other to the audit of UNDP Senegal. The remaining four medium-priority recommendations were related to the audits of UNDP in Guinea-Bissau, Iraq, Uzbekistan and the programme of assistance to the Palestinian people.

**Table 7. Ageing status of recommendations as of 31 December 2022**

Priority	Total outstanding recommendations	< 12 months	12–18 months	>18 months
High	63	57	4	2
Medium	113	98	11	4
<b>Total</b>	<b>176</b>	<b>155</b>	<b>15</b>	<b>6</b>

### Withdrawn recommendations

41. In 2022, the Director of the office withdrew one recommendation from an audit report issued in 2021. The recommendation was withdrawn because its implementation was no longer feasible in the related country. A more detailed overview is provided in annex III.

## VIII. Key internal audit and advisory results

### Headquarters audits

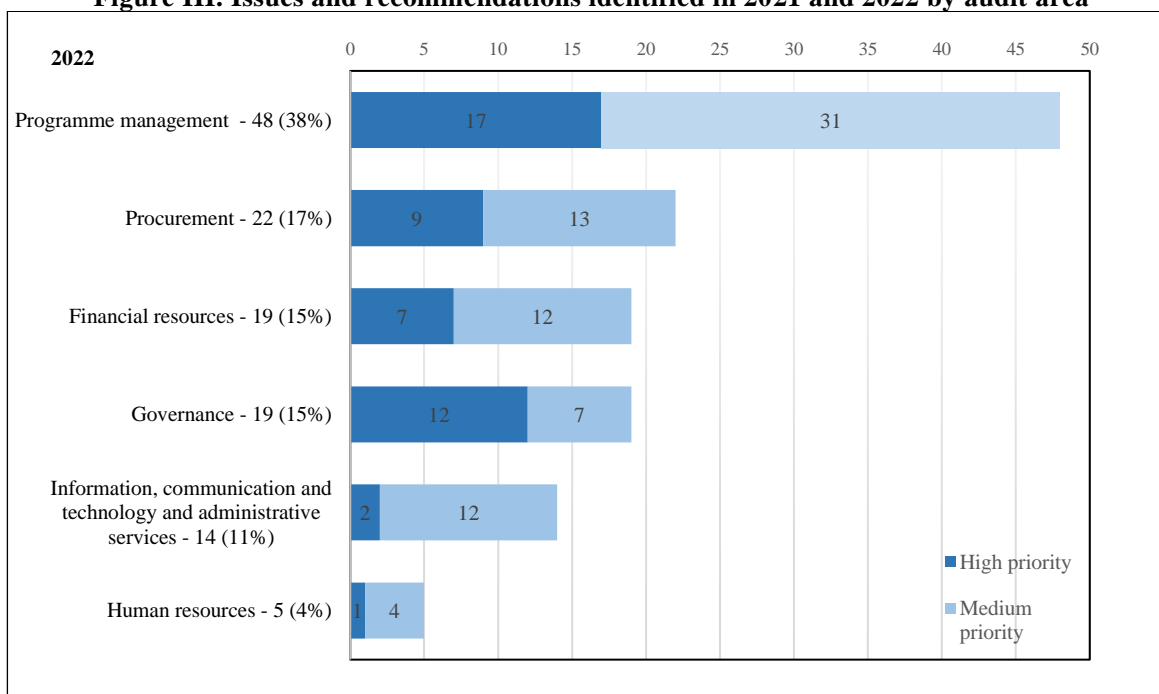
42. The office conducted 11 headquarters audits and issued two consolidated audit reports in 2022. Of those, six were performance audits, covering the Regional Bureau for Arab States; Office of Human Resources; clustering process; vendor management; management of the risks posed by the COVID-19 pandemic; and management of implementing partners. The remaining five audits covered the Executive Office; UNV; the UNV information and communication technology (ICT) infrastructure; Global Shared Services Centre information technology infrastructure and services; and a follow-up on the Global Environment Facility (GEF) audit. There were also two consolidated reports on the audits of UNDP projects implemented by NGOs/national institutions and Global Fund subrecipients as well as GEF-funded projects.

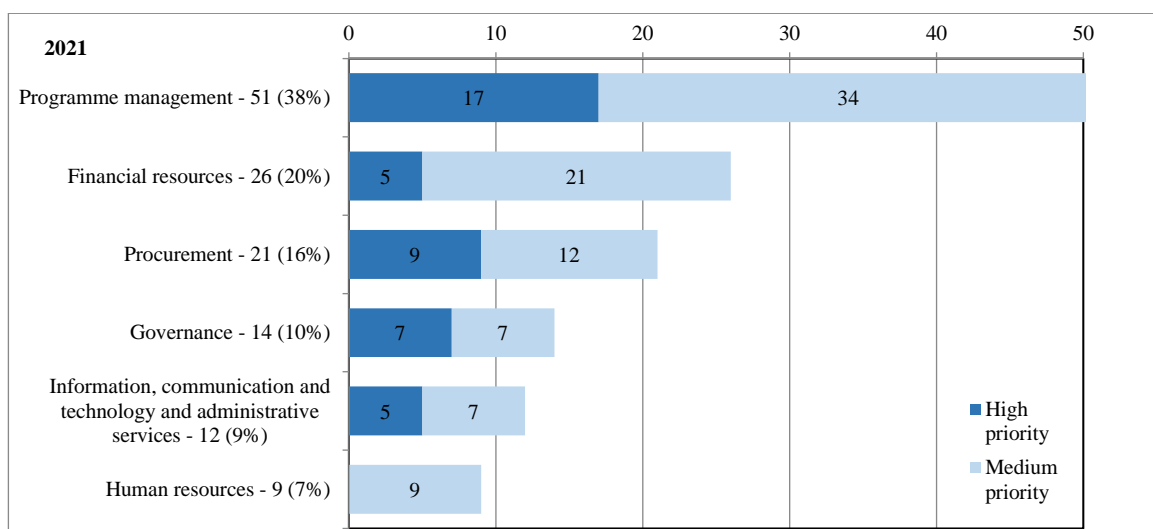
43. The 10 headquarters audit reports, excluding the follow-up audit, resulted in 29 recommendations, six (21 per cent) of which were ranked high priority. In the prior year, the office issued 11 headquarters audit reports that resulted in 40 recommendations, 12 (30 per cent) of which were ranked high priority.

### Country office audits

44. The 27 country office audit reports issued in 2022 resulted in 127 recommendations, 48 (38 per cent) of which were rated high priority. In 2021, the office issued 32 country office audit reports that resulted in 133 recommendations, 43 (32 per cent) of which were rated high priority. Figure III provides a breakdown by audit area of the issues and recommendations for 2021 and 2022.

**Figure III. Issues and recommendations identified in 2021 and 2022 by audit area**





45. In 2022, the office identified significant issues (recurrent in at least five offices) in the audit areas described in table 8. In 2022, programme/project management continued to have the highest number of audit observations.

**Table 8. Recurrent country office audit issues**

Audit area	Recurrent audit issues
Programme/project management	Inadequate resource mobilization strategy; weaknesses in implementation of the harmonized approach to cash transfers; inadequate tracking of programme/project results; delays in project closure; weak project design and planning; deficiencies in project monitoring and reporting; inadequate project risk management; weaknesses in social and environmental screening procedures (22 offices).
Procurement	Deficiencies in procurement planning and oversight; weakness in procurement processes; failure to submit to procurement committees when thresholds are reached; lapses in timely creation and approval of requisition; weaknesses in selection and management of direct contractors (18 offices).
Finance	Incorrect recording of financial transactions; shortcomings in payment processing; exceptions in financial management processes; ineffective application of delivery enabling services (16 offices).
Governance	Financial sustainability concerns; inadequacies in organizational structure; inadequate risk management process; challenges in mobilizing resources (13 offices).
Administrative services	Weaknesses in asset management; shortcomings in travel management; inadequate lease agreement (nine offices).
Human resources	Challenges in recruitment processes; non-completion of UNDP mandatory training courses (five offices).

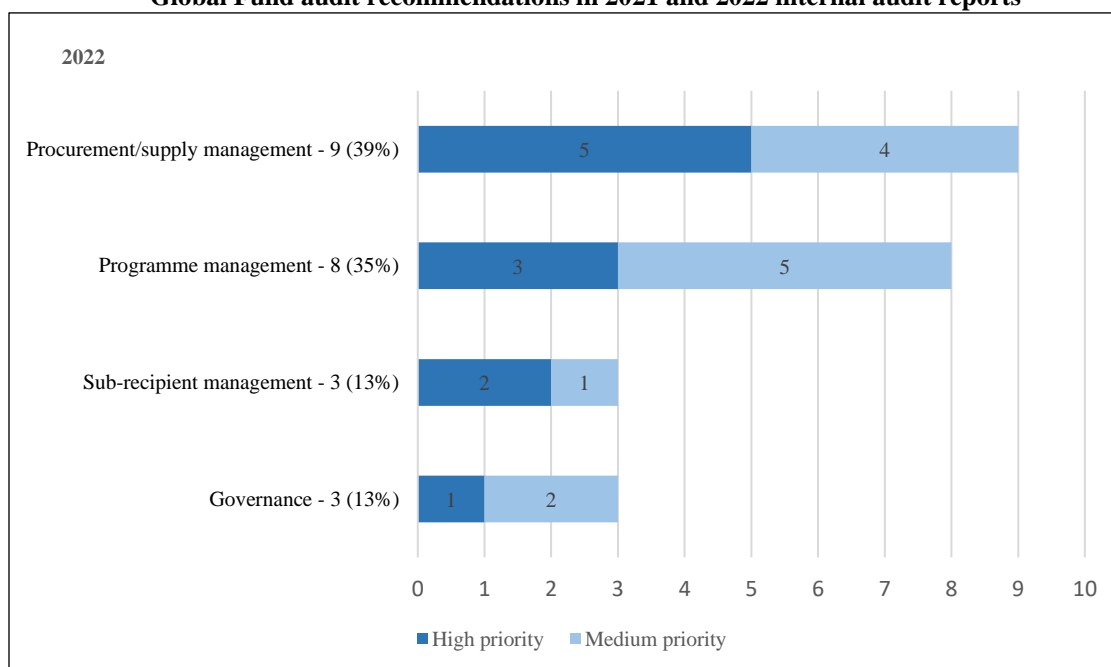
### Global Fund audits

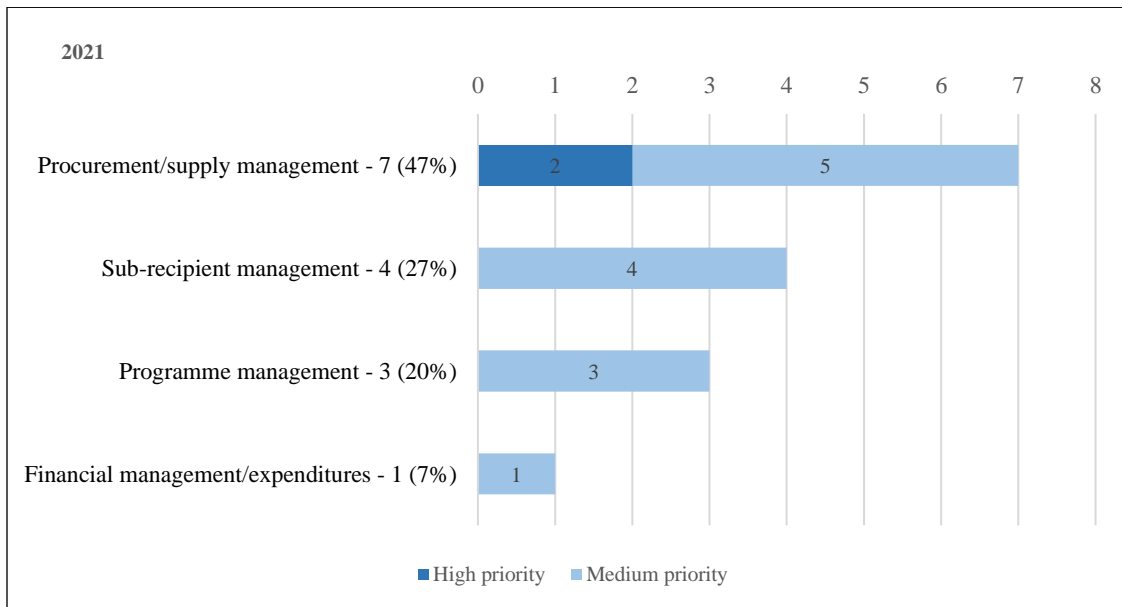
46. The office issued eight Global Fund audit reports (six country office reports and two consolidated reports) in 2022. They covered the management of Global Fund grants in six country offices, two in Latin America and the Caribbean, one in Africa, one in the Arab States region, one in Asia and one in Europe and the Commonwealth of Independent States.

47. The six audit reports related to grants managed by UNDP as principal recipient. One of the audits resulted in a rating of fully satisfactory, three in a rating of satisfactory/some improvement needed and one in a rating of partially satisfactory/major improvement needed. Of the remaining two reports, one was a consolidation of the 2021 audits of country offices as principal recipients; and the other was a consolidation of the 2021 audits of subrecipients of Global Fund grants (NGOs or government institutions).

48. The six audit reports contained 23 recommendations, 11 of which (or 48 per cent) were rated as high priority. The significant issues are grouped according to audit area in figure IV. Most issues noted by the office concerned procurement and supply chain management, including stock management and quality control of health products, as well as subrecipient oversight and programme management.

**Figure IV. Distribution and prioritization of Global Fund audit recommendations in 2021 and 2022 internal audit reports**





**Project audits**

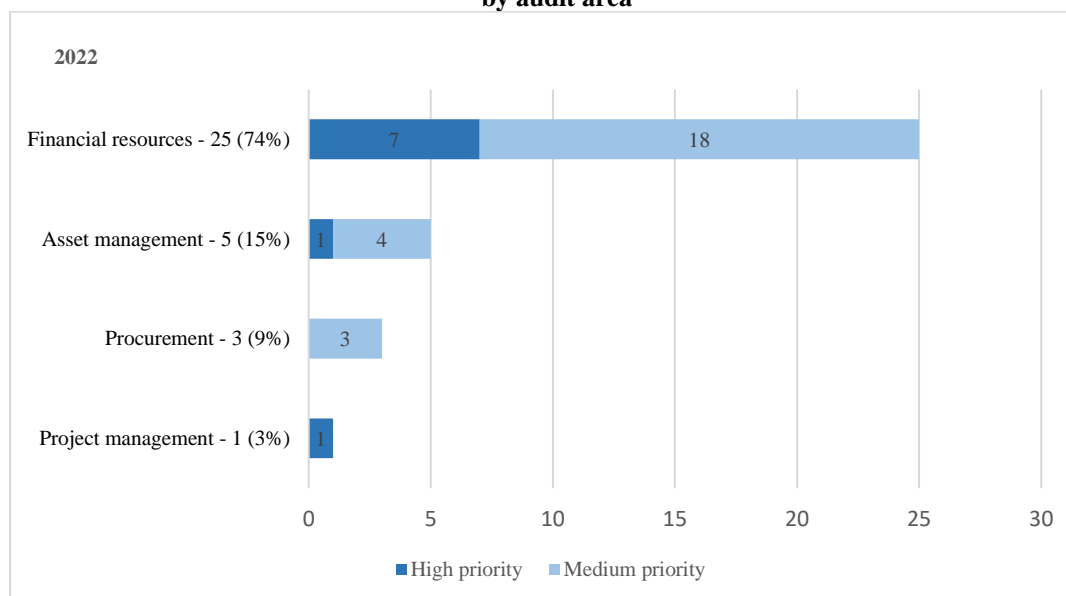
49. In 2022, 56 directly-implemented projects were audited separately from country office audits, with the total audited expenditure amounting to \$704.7 million. Of those, 54 projects were directly implemented by UNDP and amounted to \$694.4 million. The remaining two projects were directly implemented by UNCDF and amounted to \$10.3 million. In addition, the office issued two consolidated reports on the audits conducted of directly-implemented projects in 2020 and 2021.

50. Of the 54 projects implemented by UNDP, 52 were audited by firms contracted by the office, resulting in 45 unqualified and seven qualified opinions. The qualified opinions resulted in a total net financial misstatement of \$24.1 million, or 3.4 per cent of the total audited expenditure (\$704.7 million), compared to \$35.3 million or 5.4 per cent of the total audited expenditure (\$656.8 million) in 2021. Of the total financial misstatement in 2022, 94.7 per cent (\$22.9 million) related to one project managed by the UNDP country office in Nigeria. Of the 52 audits, 15 included a review of governance, risk management and internal controls. The remaining two of the 54 project audits were conducted by the office and focused on the assessment of internal controls. Of the 17 internal controls audits, 15 were rated as fully satisfactory, two as satisfactory/some improvement needed and one as partially satisfactory/major improvement needed.

51. The audits of the 54 directly-implemented projects resulted in 34 recommendations, of which nine were high priority and 25 were medium priority. This included 25 recommendations (74 per cent) addressing financial resources management, including findings such as: expenses not documented; expenses recorded in incorrect accounting codes or period; incorrect reporting of commitments; and weaknesses in payment processing. Figure V provides a breakdown by audit area of the issues and recommendations for 2022. In 2021, there were 37 audit recommendations, of which 19 (51 per cent) addressed financial management.

52. The office recommended that the responsible offices timely implement audit recommendations made in the audit reports.

**Figure V. Issues and recommendations identified in 2022 directly-implemented project audits, by audit area**



#### **Audits of projects executed by non-governmental organizations and/or national Governments**

53. The audits of nationally implemented projects for fiscal year 2021 were conducted by supreme audit institutions or audit firms engaged and managed by UNDP country offices. As of 31 December 2022, the office had received 441 audit reports from 86 country offices. The total audited expenditures were \$632.9 million.

54. Auditors expressed modified opinions on 22 of the 441 audit reports (one disclaimer, three adverse and 18 qualified opinions) with a net financial misstatement of \$2.37 million or 0.4 per cent of the total audited expenses (\$632.9 million). The modified audit opinions were mainly due to unsupported expenditures, ineligible expenses and unexplained differences between the Combined Delivery Report and the project financial records.

55. Auditors raised a total of 1,461 audit observations in their reports. Most of the audit observations related to two areas, namely, financial management and human resources. The office monitored the actions taken by country offices to implement the audit recommendations. As of 31 December 2022, 95 per cent of the 1,461 audit issues had been implemented or were no longer applicable.

56. As a result of its assessment of the audit exercise, the office issued review letters to all 86 country offices. The review encompassed four elements: (a) strength of existing internal controls; (b) timely follow-up of audit recommendations; (c) compliance with audit scope requirements; and (d) timely administration of the audit exercise. Of the 86 country offices, 72 received a satisfactory rating (84 per cent), nine received a partially satisfactory rating and the remaining five received an unsatisfactory rating.

#### **Advisory and consultancy services**

57. In 2022, the office issued 21 advisory notes and memos (see table 4); of these, two were related to consultancy services in ICT and the remaining 19 were related to requests for write-offs that were reviewed.

58. The two advisory engagements were related to the implementation of Quantum, the new UNDP cloud-based enterprise resource planning system, resulting in several value-added recommendations to mitigate risks that could have impacted the successful execution of the project, including risk of cost overrun. See details in annex I.

59. The office issued six risk alerts to advise management on emerging risks. These included risk alerts on vendor management, implementing partners and insufficient follow-up on the net financial misstatements. Further, the office conducted three control self-assessment missions to support UNDP offices in Malawi and Angola, as well as the Digital Strategy Team.

60. In line with rule 126.17 of UNDP Financial Regulations and Rules and the UNDP Programme and Operations Policies and Procedures, the office reviewed 19 requests for write-offs, 14 from country offices and five from headquarters units. See details in annex I.

## **IX. External quality assessment**

61. An independent quality assessment of the office was undertaken in line with the International Standards for the Professional Practice of Internal Auditing, which require independent, external quality assessments of the internal audit activity to be conducted every five years. The assessment resulted in a generally conforms rating, which is the highest rating and which indicates that the office's internal audit activity has successfully conformed to all Institute of Internal Auditors Standards.

62. Conclusions of the assessment included the following: (a) the office was recognized for its professionalism, thoroughness and transparency; (b) the office had a highly experienced, qualified, decentralized, global team aligned with the organization's structure; and (c) there was a commitment to quality assurance and a well-structured approach to a complex and varied audit universe.

## **X. Disclosure of internal audit reports**

63. Thirty days after issuance, all internal audit reports issued in 2022 were publicly disclosed in accordance with Executive Board decision 2012/10. These reports are available on the Office of Audit and Investigations audit disclosure website (<https://audit-public-disclosure.undp.org>). No requests were received internally or from any organization or Member State requesting the redaction of audit reports.

64. Though advisory reports are not published, the office provides copies to senior management and relevant staff.

## **XI. Investigations**

### **Introduction and intake**

65. In 2022, the office pursued initiatives to strengthen the complaint intake process and investigations efficiency through the amendment of internal guidelines. The changes include refined guidance to personnel on how to record complaints received by the office; assess and prioritize these complaints; and better ensure that, when reviewing allegations, appropriate steps are taken in a timely manner. Furthermore, the office also created and implemented internal guidelines on assistance to victims of sexual misconduct, with a focus on the principles of a victim-centred approach and the resources available to victims of sexual misconduct.

66. The office also initiated a restructuring of the investigation function through geographic clustering, with investigators assigned to cases in specific regions. This approach will be fully implemented in 2023.

67. Case intake throughout the year continued the upward trend of 2021. During 2022, most investigations were conducted remotely with some return to mission travel to conclude investigations. The office noted an increase in sexual misconduct complaints compared to 2021, resembling pre-pandemic numbers and trends.

68. During 2022, the office opened 300 new cases and carried over 330 cases from 2021, bringing the 2022 caseload to 630, the highest recorded caseload since the beginning of the COVID-19 pandemic. The office finalized and closed a total of 377 cases in 2022, the highest number ever in a year to date. At the end of 2022, 253 cases were carried over to 2023 (see table 9 and figure VI).

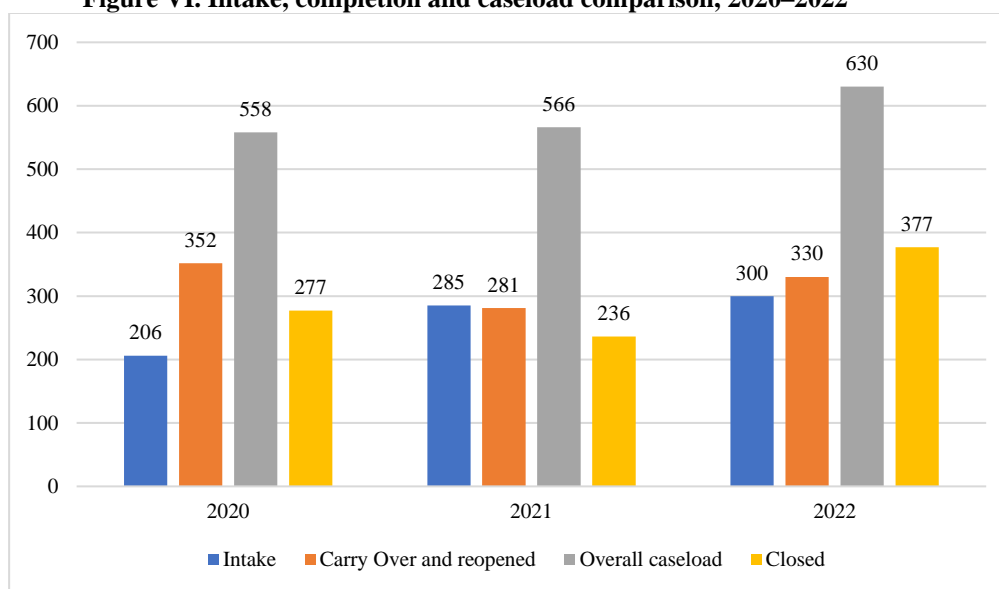


**Table 9. Investigation cases handled in 2022**

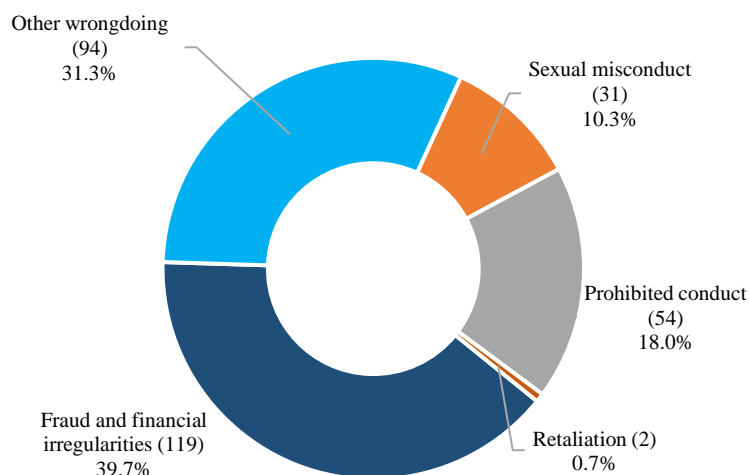
Status of cases	Number of cases
Carry-over as of 1 January 2022	330
Intake during the year	300
<b>Total cases during the year</b>	<b>630</b>
Closed during 2022	377
Cases ongoing as of 31 December 2022	253

### Types of complaints

69. As part of an initiative to harmonize annual reporting on oversight among some United Nations entities,<sup>3</sup> the intake of new cases is presented in five broad categories (see figure VII and table 10). The same cases are then further broken down into specific categories (see figure VIII).

**Figure VI. Intake, completion and caseload comparison, 2020–2022**

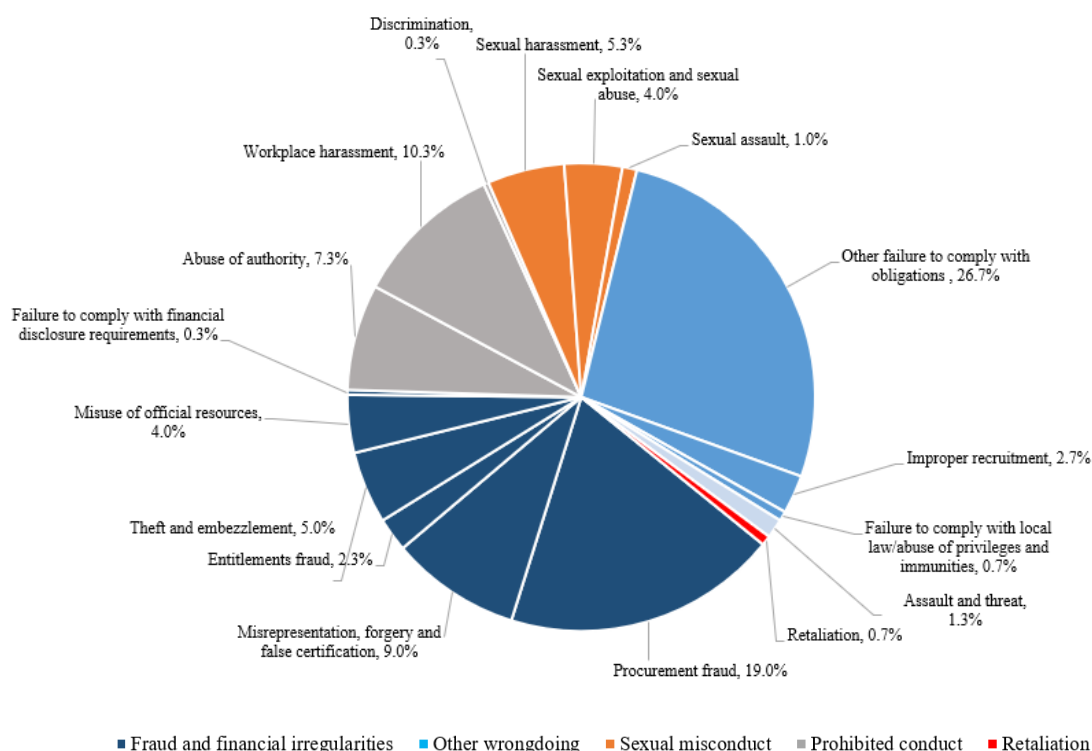
<sup>3</sup> UNDP, United Nations Children’s Fund, United Nations Environment Programme, United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), United Nations Office for Project Services and United Nations Population Fund.

**Figure VII. Office of Audit and Investigations case intake 2022****Table 10. Office of Audit and Investigations intake by broad category, 2020–2022\***

Allegation category	Cases in 2020	Cases in 2021	Cases in 2022
Fraud and financial irregularities	119	134	119
Prohibited conduct	31	44	54
Sexual misconduct	13	25	31
Retaliation	0	0	2
Other wrongdoing	43	82	94
<b>Total</b>	<b>206</b>	<b>285</b>	<b>300</b>

\* “Prohibited conduct” consists of allegations mentioned in the UNDP policy on harassment, sexual harassment, discrimination and abuse of authority. However, for the purpose of this report, this category does not include sexual harassment allegations, which are counted under “sexual misconduct”. “Other wrongdoing” includes any allegation that does not fall into the other broader categories but could still amount to a breach of UNDP administrative issuances. Examples include not cooperating with an investigation or engaging in outside employment without authorization.

70. Complaints are reported to the office by mail, email, webform, independent telephone, personal communications and referrals. Complaints relating to financial irregularities (procurement fraud; theft and embezzlement; misuse of official resources; misrepresentation, forgery, and false certification; entitlements fraud; and failure to comply with financial disclosure requirements) constituted 39.7 per cent of the cases received in 2022, a decrease from the 47.1 per cent recorded in 2021. Complaints relating to sexual misconduct (sexual assault, sexual harassment and sexual exploitation and abuse) constituted 10.3 per cent of the cases received by the office in 2022, an increase from the 8.8 per cent recorded in 2021 (see figure VIII).

**Figure VIII. Types of complaints received in 2022**

71. In 2022, the office received the most complaints from Africa (80 cases), followed by Asia and the Pacific (58 cases), the Arab States region (44 cases), Europe and the Commonwealth of Independent States (31 cases), Latin America and the Caribbean (22 cases) and headquarters (24 cases). Additionally, 41 complaints involved staff members or other personnel on UNDP contracts assigned to other United Nations entities for a total of 300 complaints (see table 11).

**Table 11. Complaints received in 2022, by region**

	Number of complaints
Africa	80
Asia and the Pacific	58
Arab States	44
Europe and the Commonwealth of Independent States	31
Latin America and the Caribbean	22
Headquarters	24
Other United Nations entities	41
<b>Total</b>	<b>300</b>

### Processing of cases

72. In 2022, the office finalized 353 assessments. Of these, 152 warranted an investigation. The remaining 201 (56.9 per cent) were closed after assessment.

73. In 2022, the office closed 176 cases following an investigation. The allegations in 114 (64.8 per cent) of these cases were found to be unsubstantiated. Of the remaining 62 cases, 61 (34.7 per cent)

resulted in investigation reports (61 reports) establishing evidence of misconduct and one was finalized through an options letter (see table 12).

74. As a key performance indicator, the office aims to finalize 50 per cent of its case assessments within three months and close 50 per cent of its cases under investigation in under 270 working days (393 calendar days).<sup>4</sup> Of the 353 cases assessed in 2022, the office finalized 91.96 per cent within three months. Of the 176 cases closed following an investigation, 41.48 per cent were finalized within 270 working days.

75. At the end of 2022, 11 cases were under assessment and 242 under investigation.

**Table 12. Disposition of cases, 2021 and 2022**

<b>Actions taken</b>	<b>Number of cases 2021</b>	<b>Number of cases 2022</b>
<i>After assessment:</i>		
Closed, investigation not warranted	78	185
Referred to other United Nations entities	6	10
Referred to other UNDP offices	4	6
<b>Total cases closed after assessment</b>	<b>88</b>	<b>201</b>
<i>After investigation:</i>		
Closed (not substantiated)	<b>90</b>	<b>114<sup>a</sup></b>
Closed (substantiated)	<b>58</b>	<b>62</b>
- Submitted to Office of Legal Services	30	28 <sup>b</sup>
- Submitted to country offices	7	13
- Submitted to Vendor Review Committee	17	18
- Submitted to other United Nations entities	4	2 <sup>c</sup>
- Submitted to other UNDP offices	-	-
- Options letter issued	-	1
<b>Total cases closed after investigation</b>	<b>148</b>	<b>176</b>
<b>Total cases closed during the year</b>	<b>236</b>	<b>377</b>
<b>Investigation reports issued</b>	<b>57</b>	<b>61<sup>d</sup></b>
<b>Financial loss reports issued</b>	<b>1</b>	<b>-</b>
<b>Options letter issued</b>	<b>-</b>	<b>1<sup>e</sup></b>
<b>Management letters issued</b>	<b>1</b>	<b>5<sup>f</sup></b>

<sup>a</sup> Two cases were referred to other United Nations entities.

<sup>b</sup> One case was referred to national authorities.

<sup>c</sup> Two cases involved personnel in other United Nations entities. In addition, four cases were substantiated against four vendors of a project under national implementation and submitted to the Vendor Review Committee. However, in line with the committee's decision that nationally implemented project vendors do not fall under their current jurisdiction, the office resubmitted the reports to the business unit concerned to ensure that relevant mitigating measures are put in place.

<sup>d</sup> Sixty investigation reports established evidence of misconduct.

<sup>e</sup> Options letters are instruments through which UNDP staff against whom there is evidence of wrongdoing are given the option to either resign under certain conditions, including a commitment to reimburse any financial loss resulting from the wrongdoing, or be subjected to a full investigation and possible disciplinary process.

<sup>f</sup> One management letter was issued for four cases as the allegations were the same.

<sup>4</sup> In accordance with the UNDP Legal Framework, chapter III, section 1.4, "To the extent possible, depending on the complexity of a case and the availability of investigative resources, the period between the date the allegations of wrongdoing are reported to the office and the completion of the investigation should not normally exceed 270 working days." When accounting for United Nations official holidays, 270 working days converts to approximately 393 calendar days; therefore, the office has used 393 calendar days as its metric for investigations.

### Substantiated cases

76. Of the potential misconduct identified in the 62 substantiated cases, the majority concerned allegations of procurement fraud (21 cases, or 33.9 per cent); misrepresentation, forgery and false certification (10 cases, or 16.1 per cent); other failure to comply with obligations (8 cases, or 12.9 per cent), and entitlement fraud (7 cases, or 11.3 per cent). A summary of the substantiated investigations reported in 2022, by type of allegation, can be found in annex IV.

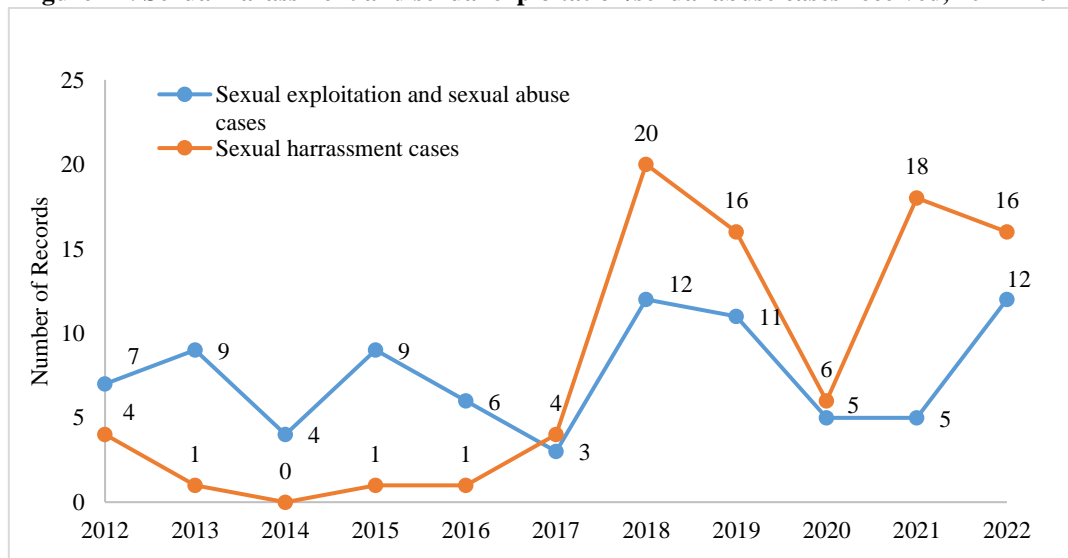
77. Of the 62 substantiated cases, 17 (27.4 per cent) occurred in other United Nations entities, 17 (27.4 per cent) in the Africa region, 9 (14.5 per cent) in the Arab States region, 8 (12.9 per cent) in the Europe and Commonwealth of Independent States region, 5 (8.1 per cent) in the Asia and the Pacific region, 5 (8.1 per cent) in the Latin American and Caribbean region, and 1 (1.6 per cent) at headquarters.

### Sexual misconduct

78. In 2022, the office opened 31 cases related to sexual misconduct (16 sexual harassment complaints; 12 sexual exploitation and sexual abuse complaints; and three sexual assault complaints). This is a 24 per cent increase from 2021, when the office opened 25 cases of sexual misconduct. In addition, the office carried over 12 sexual misconduct cases from 2021 to 2022 (6 sexual harassment complaints; 4 sexual exploitation and sexual abuse complaints; and two sexual assault complaints). Therefore, the office had an overall caseload of 43 sexual misconduct cases during 2022. See figure IX for historical trends.

79. In 2022, the office substantiated two cases of sexual misconduct (one sexual harassment case and one sexual assault case). This is a 77.8 per cent decrease compared to 2021, when the office substantiated nine cases of sexual misconduct (seven sexual harassment cases; one sexual exploitation and sexual abuse case; and one sexual assault case).<sup>5</sup> In 2022, the office closed a total of 28 cases of sexual misconduct, out of the overall caseload of 43. Fifteen sexual misconduct complaints were carried over to 2023.

**Figure IX. Sexual harassment and sexual exploitation/sexual abuse cases received, 2012–2022**



<sup>5</sup> The office reports case types opened based on the misconduct type alleged at the time the case is received. However, during an assessment or investigation, the case type can be reevaluated and updated in the closure documents at the time of finalization to reflect the misconduct assessed or investigated.

**Management letters**

80. In 2022, the office issued five management letters to the relevant business units following the completion of the investigations. These management letters concerned issues of procurement irregularities and abuse of authority (one management letter); conflict of interest (one management letter); theft and embezzlement (one management letter); and other failure to comply with local law/abuse of privileges and immunities (one management letter). In addition, the office issued one management letter to the concerned business unit in a case of misrepresentation, forgery and false certification.

**Financial losses and recovery (decisions 2014/21 and 2015/13)**

81. The total financial loss for UNDP that was substantiated in investigation reports or options letter issued by the office during 2022 amounted to \$132,354, additionally \$451,025 was lost in a case sent to the authorities of Samoa. According to the Office of Financial Management, the total financial loss from investigation reports or options letters that were submitted from 2013 to 2022 was \$9,548,940, of which \$8,380,467 was deemed recoverable. Of that amount, \$3,872,647 has been recovered, 46.2 per cent of the loss.

**Actions taken in cases of misconduct (decision 2011/22)**

82. Follow-up actions taken by other offices of UNDP (Office of Legal Services, Ethics Office, country offices, Vendor Review Committee and regional bureaux) as a result of investigation reports issued by the office are detailed below.

83. Based on the 27 investigation reports concerning staff members that were sent to the Office of Legal Services in 2022, one staff member was separated from service. One staff member received a loss of one step in grade and a deferment of eligibility of salary increment for one year. A letter was placed in the file of three staff members who had either resigned or whose contracts expired prior to the completion of the investigation, indicating, pursuant to article 72 of the Legal Framework, that the Office of Legal Services would have recommended charging them with misconduct had they remained with the organization. One staff member resigned following the receipt of a charge letter as part of the disciplinary proceedings; a letter was thus placed in the staff member's file pursuant to article 81(a) of the UNDP Legal Framework. Five staff members were cleared of all allegations. The remaining 16 reports were still under review by the Office of Legal Services as of 1 February 2023.

84. As a result of 13 reports submitted to country offices, concerning non-staff members, one service contract holder was terminated, while three did not have their contracts renewed. Meanwhile, three national personnel service agreement holders, two of whom resigned along with one service contract holder who resigned, had a note placed in their service file. The remaining four reports concerning service contract holders are still under review.

85. Of 17 reports submitted to the Vendor Review Committee in 2022, covering 18 cases, five were finalized and closed by the end of the year, resulting in sanctions against three vendors. Meanwhile, the committee determined that two vendors were outside of their purview. In addition, one vendor covered by the remaining reports received an interim suspension pending finalization by the committee.

86. Two investigation reports were submitted to another United Nations entity. Both concerned staff members and remained under review at the end of the year. One case was referred to national authorities and may be reopened and resubmitted pending the outcome of the referral.

**Social and environmental compliance**

87. In 2022, the Social and Environmental Compliance Unit registered two new cases, bringing the total number of cases to 21, of which 10 are open and relate to projects located in Cameroon, Colombia, India, Jordan, Kyrgyzstan, Malawi, Mauritius, Myanmar, North Macedonia and South Africa. One case from Kyrgyzstan entered its monitoring phase as per the decision of the UNDP Administrator in response to the recommendations of the Social and Environmental Compliance Unit, following completion of the investigation. The unit closed two cases related to projects in Iraq and the UNDP programme for

assistance to the Palestinian people. The unit ran field missions to India and Colombia. In 2022, the unit continued the process of updating its investigation guidelines to be finalized in the first quarter of 2023.

88. In 2022, the Social and Environmental Compliance Unit hosted the nineteenth annual meeting of the Independent Accountability Mechanisms Network and the inaugural meeting of accountability mechanisms in the United Nation system, setting a new standard in hybrid format for these meetings. The unit conducted outreach activities in 2022 to improve understanding of its mission, mandate and activities with partners and potential stakeholders. It conducted an in-person outreach event for Middle Eastern civil society organizations in Lebanon with accountability mechanisms from the World Bank, the International Finance Corporation, the Asian Infrastructure Investment Bank and the European Investment Bank. The Social and Environmental Compliance Unit is one of several partners of the Grievance Redress and Accountability Mechanism Partnership, a learning platform for accountability mechanisms from a wide range of public and private organizations. The unit led a grievance redress and accountability mechanism partnership webinar in the third quarter of 2022 in collaboration with the Office of the United Nations High Commissioner for Human Rights. The unit also continued its outreach activities through social media and other digital forums.

### **Prevention of sexual harassment and sexual exploitation/sexual abuse**

89. During 2022, the office continued to be an active member of the UNDP task force on the prevention of sexual harassment and sexual exploitation and abuse; the UNDP task team for victim/survivor support; the UNDP clear check database advisory committee;<sup>6</sup> and the UNDP task team for addressing sexual harassment and sexual exploitation and abuse issues with implementing partners and responsible parties selected for UNDP development projects. As part of this last task team initiative, the office contributed to a draft guidance note for assessing and monitoring of sexual harassment and sexual exploitation and abuse capacities of implementing partners. The office also provided input on the UNDP assessment process and technical guidance for handling allegations of sexual misconduct involving implementing partners package, which included a UNDP implementing partner/responsible party incident reporting form for sexual misconduct matters.

90. During 2022, the office participated in several inter-agency technical working groups, including the sexual exploitation and abuse working group. The office contributed to the Inter-Agency Standing Committee's terms of reference for an expert panel on sexual exploitation and abuse and sexual harassment investigations. The office also helped raise awareness of the UNDP responses to sexual harassment and sexual exploitation and abuse through the delivery of training and presentations to over 200 personnel across four country offices and departments.

91. Throughout 2022, the office participated in various donor briefings and evaluations and provided responses on behalf of UNDP on sexual misconduct matters. The office also continued to provide inputs on sexual harassment and sexual exploitation and abuse clauses in donor agreements.

92. During 2022, the office assisted with the agency informal and formal briefings to the Executive Boards. The office also provided input on the annual survey on reporting of sexual harassment as well as on the 2022 survey to gather information on perceptions of personnel categories related to standards of conduct regarding sexual exploitation and abuse in specific field locations.

93. Since 1 January 2020, all participating offices and United Nations entities have been obliged to report credible allegations of sexual exploitation and abuse to the Secretary-General via a near real-time secure online database known as the iReport sexual exploitation and abuse tracker. During 2022, the office reported seven cases of alleged sexual exploitation and abuse, which were initially assessed to be credible allegations, through the tracker. The office has also implemented guidance received from the Special Coordinator on improving the United Nations response to sexual exploitation and abuse. on sharing information on allegations of sexual exploitation and abuse with the most senior United Nations official in country.

<sup>6</sup> A mechanism to prevent the re-hiring of personnel who have sexual misconduct allegations substantiated against them.

**Other investigative activity**

94. In 2022, the office continued to use options letters that were developed in 2018 in consultation with the Directors of the Bureau for Management Services and the Office of Legal Services. Options letters are instruments allowing resignation by staff members against whom there is evidence of wrongdoing. The resignation can take place under certain conditions, including a commitment to reimburse any financial loss resulting from the wrongdoing; the alternative is to face a full investigation and possible disciplinary proceedings. The office sent two options letters in 2022: one did not result in a case closure, but rather a continued investigation; the other case resulted in the resignation of the staff member and an undertaking to reimburse the financial losses accrued.

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